Defense Supply Center Richmond

Welcome

Industry Day # 2

“Privatization”

1 Mar 06

DLA's Aviation Supply & Demand Chain Manager

Agenda

DLA's Aviation Supply & Demand Chain Manager

0900 – 0915 Opening remarks

0915 – 0945 Background

0945 – 1005 Current / Future Supply Chain

1005 – 1030 RFI Feedback

1030 - 1045 -------> Break

1045 - 1100 -------> RFI Feedback

1100 - 1115 -------> Timeline

1115 - 1200 -------> Concept

1200 - 1300 -------> Lunch

1300 – 1430 -------> Small Business

1430 – 1600 -------> Open / collaboration opportunities

Industry Day # 2
"Privatization"

DLA's Aviation Supply & Demand Chain Manager

Purpose

- **Market Research**

- **We are now further along in the process, i.e., better defined requirement, information from the 1st Industry Day, and insights gained from the RFI one-on-one sessions which should prompt better dialog.**

- **Focus on small business to ensure SB and LB are both aware of possible teaming / mentor protégé opportunities that may be available.**

- **Education type venue with a great opportunity to give big and small business an opportunity to collaborate.**

Base Realignment and Closure (BRAC) Recommendation # 175

DLA's Aviation Supply & Demand Chain Manager

Commodity Management Privatization Decision:

Relocate tire supply contracting function from Detroit Arsenal and Hill AFB to DSC Columbus ICP. Relocate supply contracting function for packaged POL from NSA Mechanicsburg to DSC Richmond ICP. Disestablish all other supply functions and all storage and distribution functions for tires, packaged POL and compressed gases.

Target of opportunity; reduce excess capacity; saves money

Base Realignment and Closure (BRAC) Recommendation # 175

DLA's Aviation Supply & Demand Chain Manager

Background

- **DLA will privatize these functions and will rely on private industry for the performance of supply, storage, and distribution of these commodities.**

- **DLA will retain only the supply contracting function for each commodity.**

- **DLA's intention is to leverage the commercial industry and potentially implement regional chemical management services programs across the U.S. This initiative is designed to assure readiness, safety, and efficiency.**

- **DLA's goal is to improve lead-times, reduce costs, and increase customer satisfaction while allowing the customers to focus on their core competencies.**

Base Realignment and Closure (BRAC) Recommendation # 175

DLA's Aviation Supply & Demand Chain Manager

Benefits

- **Achieves economies of scale and efficiencies**
- **Enhances effectiveness of logistics support to forces as they transition to more joint and expeditionary operations.**
- **More responsive supply support to user organization**
- **Centralizes management of tires; packaged petroleum, oils, and lubricants; and compressed gases and eliminates unnecessary duplication of functions within the Department.**
- **Privatization enables the Department to take advantage of the latest technologies, expertise, and business practices, which translates to improved support to customers at less cost.**

Current Supply Chain

DLA's Aviation Supply & Demand Chain Manager

BSM Program Primary Components

SAP
- Order Fulfillment
- Procureme
- Financial Management
- Tech Quality

DPACS Suite
- Solicit
- Award
- Report-

manugistics
- Demand Planning
- Supply Planning
- Collaborate

Suppliers / DLA

Future Supply Chain

DLA's Aviation Supply & Demand Chain Manager

BSM Program Primary Components

- Order Fulfillment
- Procureme
- Financial Management
- Tech Quality

DPACS Suite
- Solicit
- Award
- Report-

manugistics
- Demand Planning
- Supply Planning
- Collaborate

DLA - Scope of Services:

- Provide historical data
- Collaborate with customer
- Finance (pay vendor)
- Send order to Vendor
- Oversee / Administer Contract's
- Input MSDSs into HMIRs

Future Supply Chain

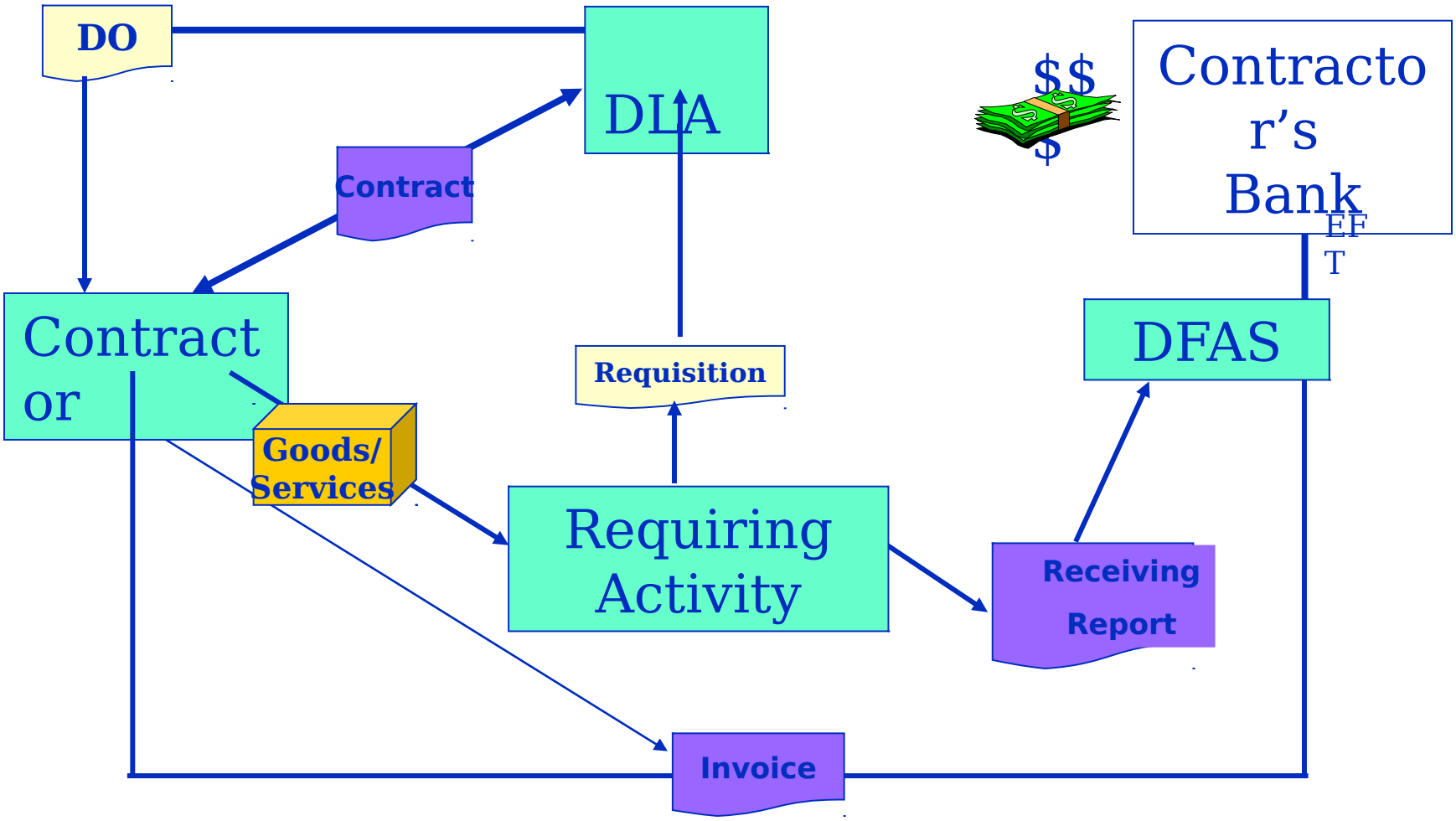
DLA's Aviation Supply & Demand Chain Manager

Contractor - Anticipated Scope of Services:

- **Demand Planning (Forecasting)**
- **Collaboration with customer**
- **Procurement/Purchasing**
- **Inventory Management/Storage/Warehousing**
- **Distribution**
- **Transportation**
- **Environmental, Safety, and Occupational Health (ESOH) services (to include disposal)**
- **Customer Direct Delivery**
- **Data Management**
- **DLA Systems interface (BSM, HMIRS…)**
- **CMS Characteristics**

Procurement Cycle

DLA's Aviation Supply & Demand Chain Manager



Commodity Management

Commodity Management

DLA's Aviation Supply & Demand Chain Manager

DEMAND CHARACTERISTICS

- **# of POL FSCs 6830,8120 & 9150 NSNs 2331**
  - **Replenishment items 916**
  - **NSO /non stock 1415**

- **Total POL FSCs 6830,8120 & 9150 usage (1) $78M**

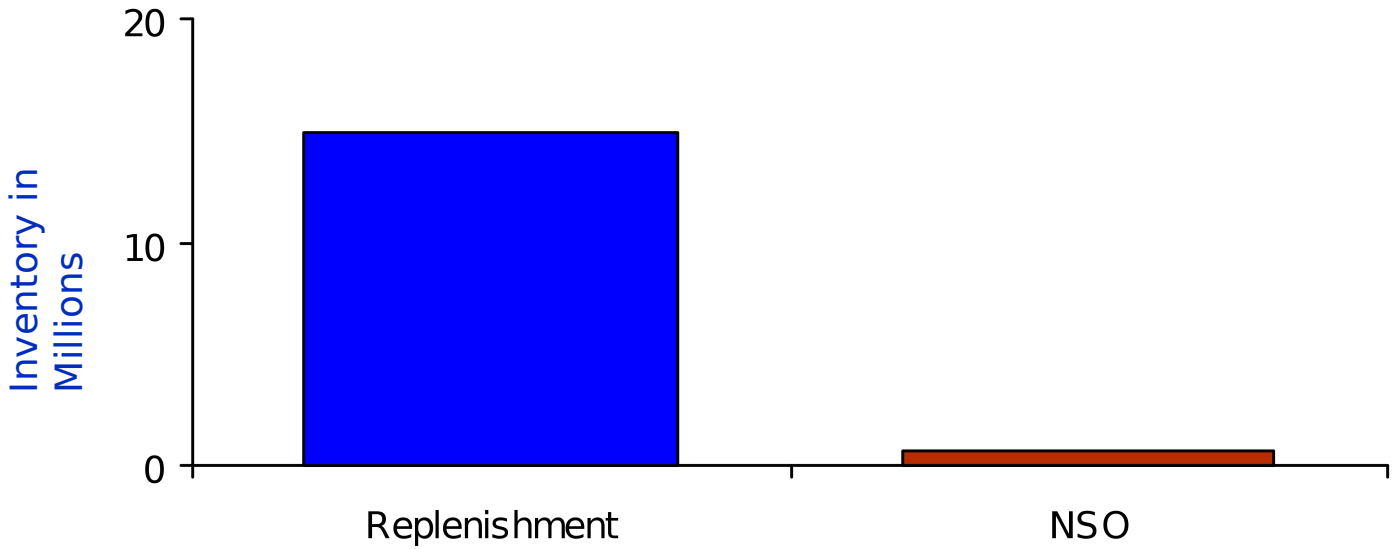
- **Total POL FSCs 6830,8120 & 9150 spend (2) $54.9M**
  - **Sole sourced $3.5M**
  - **Competitive $51.4M**

(1) CY 2005 demand, (2) CY 2005 contract spend

Commodity Management

DLA's Aviation Supply & Demand Chain Manager

INVENTORY INVESTMENT CHARACTERISTICS



Total POL FSCs 6830,8120 & 9150 inventory $15.5M

- Replenishment $14.9M
- NSO/non stocked $.6M

Commodity Management

DLA's Aviation Supply & Demand Chain Manager

PERFORMANCE CHARACTERISTICS

- **Supply Availability** **82%**
- **Administrative Lead-time (avg.)** **74 days**
- **Production Lead-time (avg.)** **59 days**
- **Backorder age (avg.)** **39 days**

CY 2005 data for “active” items (stock code = replenishment)

RFI Feedback

Forecasting

DLA's Aviation Supply & Demand Chain Manager

RFI Feedback:

- **In your opinion, what is the best way to collaborate forecasting with the customers?**
  - **Direct communication with customers**
  - **Establish a good forecasts baseline**
  - **Will take 6-12 months to establish good forecasting metrics**
  - **Customer relationships should be managed based upon the size of demand of that customer. (e.g. a major shipyard versus a single ship.)**

Forecasting

DLA's Aviation Supply & Demand Chain Manager

RFI Feedback:

- **DLA Involvement ?**
  - **DLA is crucial to establish the baseline and must be a collaborative effort to establish the initial contractor forecast.**
  - **DLA should provide a file of NSNs with quarterly demand data for each NSN for past 3 years. DLA should also provide contact information of weapon system managers and major customers.**
  - **Through a transition period, until a usage/demand database could be populated.**
  - **Require users to forecast with minimum commitments places emphasis on accuracy. Accuracy is the key**
  - **Ensure seamless integration of forecasting procedures.**

Inventory Management / Storage / Warehousing

DLA's Aviation Supply & Demand Chain Manager

RFI Feedback:

- **What is your concept for the Inventory Management/ Storage / warehousing requirements to support this effort?**
  - **Hub and spoke distribution based on volumes**
  - **Established industrial distribution and warehousing network to implement this type program**
  - **Emphasis on the right materials, minimizing inventory investment while maintaining high levels of delivery performance (JIT delivery)**

Packaging and / or Marking Requirements

DLA's Aviation Supply & Demand Chain Manager

RFI Feedback:

- **Commonality in packaging with the industrial sector**
- **Standardization is the key to efficiencies in labeling**
- **Commercial packaging for all CONUS shipments.**
- **Introduction of RFID is a major change in military labeling that should, over the long run, increase the efficiency of the DoD supply chain.**

Customer Direct Delivery

DLA's Aviation Supply & Demand Chain Manager

RFI Feedback:

- **Describe your concept for providing CONUS customer direct delivery support, i.e. regionally or state. In addition, and if required, could you support OCONUS (overseas) requirements?**

- **Majority of firms recommended one national contract using existing distribution / warehouses to support.**

General Business Information

DLA's Aviation Supply & Demand Chain Manager

RFI Feedback:

- What do you envision as the risk areas associated with this effort and how would you mitigate those risks?
  - Transition of purchasing and distribution to the private entity
  - Integration of systems
  - Cultural / Acceptance of customers of an new method of conducting business.
  - Inadequate forecasting baseline
  - Capital

General Business Information

DLA's Aviation Supply & Demand Chain Manager

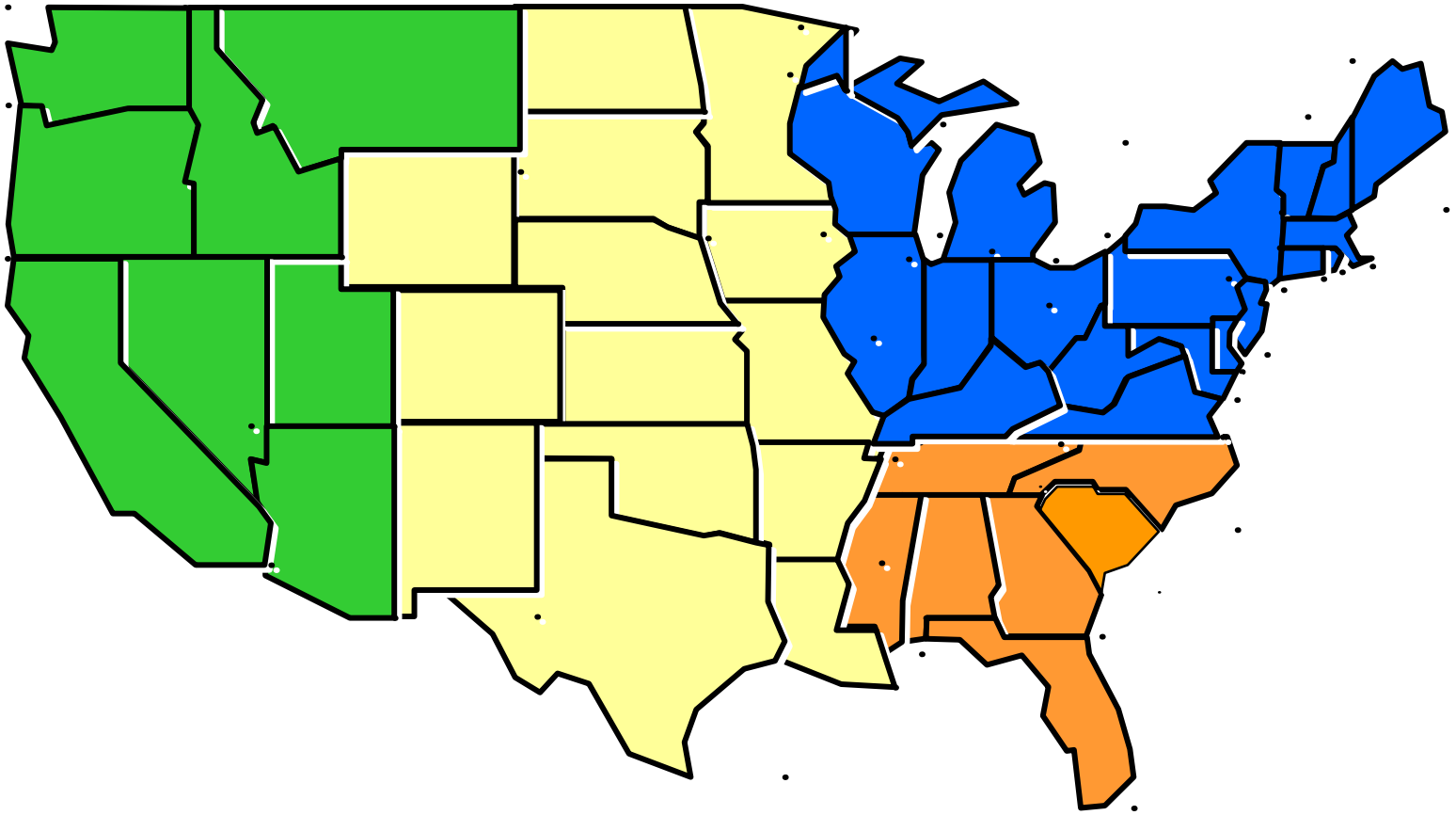
RFI Feedback:

What would be your proposed solution to support this effort? (Contracts by region, by state, by customer)? If regional contracts, how many?

Commodity Management Privatization

DLA's Aviation Supply & Demand Chain Manager

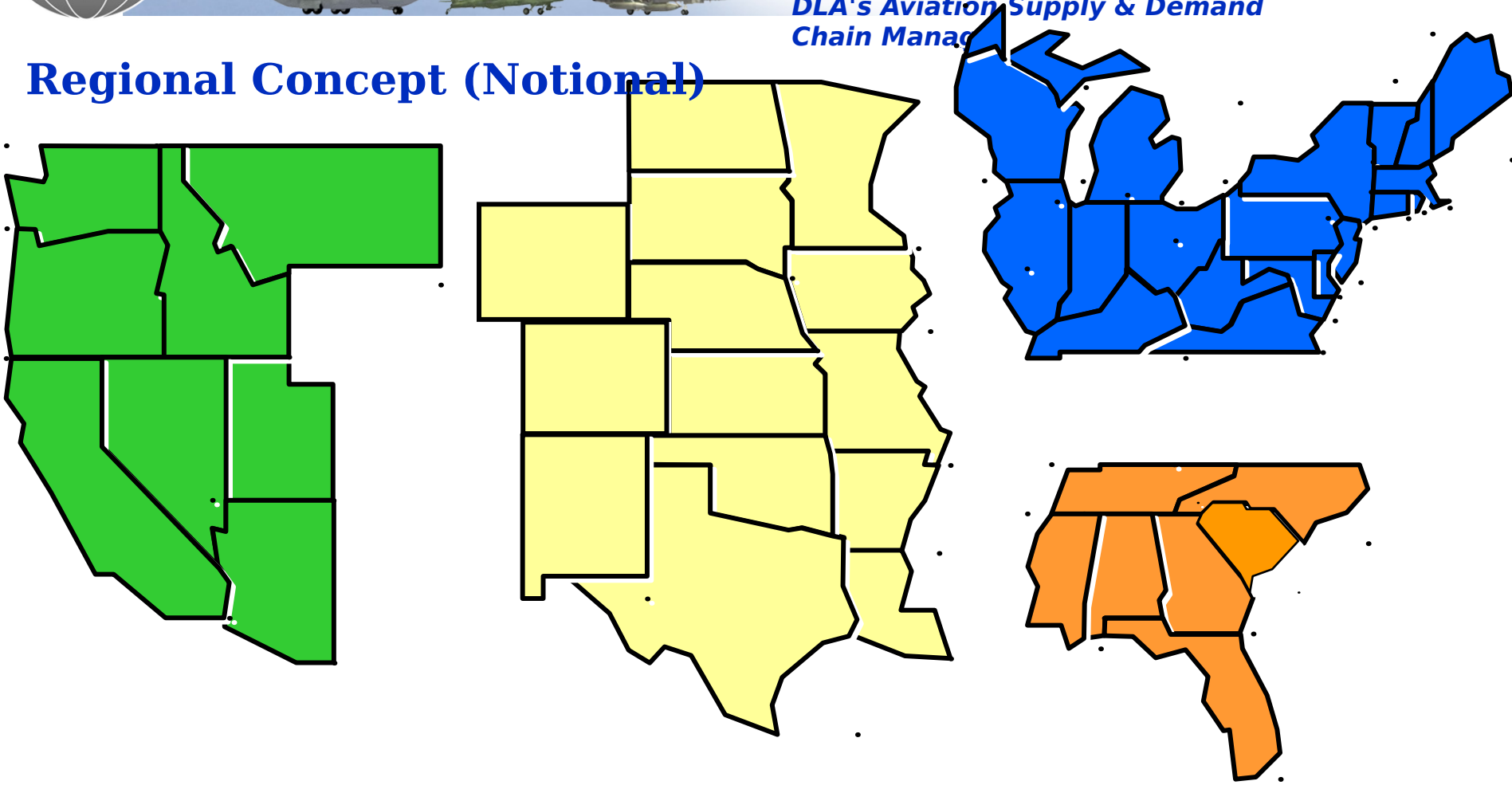
National Concept (Notional)



Commodity Management Privatization

DLA's Aviation Supply & Demand Chain Manag

Regional Concept (Notional)



Commodity Privatization Timeline

DLA's Aviation Supply & Demand Chain Manager

3 Federal Supply Classes

- *6830 – Compressed Gases (Bulk and/or Cylinders)*
- *8120 – Cylinders*
- *9150 – Petroleums, Oils, and Lubricants*

Transition

Dec 06 Thru Dec 07

Dec 05 Jan-Mar 06 Apr-Jun 06 Jul – Sep 06 Oct – Dec 06

Industry Day #1

Draft PWS

RFI

Industry Day #2

Issue RFP

Pre Proposal Conf

Closing Date

Negotiations

Final I-ARB

Award Date

Phased Approach

Phase I, II, III…

I/FOC

Commodity Privatization Concept

DLA's Aviation Supply & Demand Chain Manager

- **3rd Party Logistic Provider's)**

- **Umbrella Initiative with Phased Approach – 3 FSCs (9150, 8120 and 6830)**

- **POLs are broader than FSC 9150 but to date are undetermined**

- **Inventory Attrition must be completed by December 2008 – with large portion eliminated prior to Dec 07**

Achieve economies and efficiencies (Cost Avoidance)

Commodity Privatization Concept

DLA's Aviation Supply & Demand Chain Manager

- **DLA data systems will be integrated into the vendor's solution**
- **Improve support during Mobilization, Deployment and Sustainment when deployed**
- **Take advantage of latest technologies, expertise and business practices**

Achieve economies and efficiencies (Cost Avoidance)

Commodity Privatization Summary

DLA's Aviation Supply & Demand Chain Manager

- **Phased Approach to Privatization**
- **Savings Must Be Achieved**
- **Joint Collaborations Required**
- **Seamless / transparent to the end users**
- **End State….. Better support to the warfighter**

World-Wide Support for Packaged POLs & Compressed Gases

DSCR Website

DLA's Aviation Supply & Demand Chain Manager

- **Website:**
  - **http://www.dscr.dla.mil/UserWeb/FAGA/index.html**
  - ***Under 'Specialized Support,' Click on 'Privatization Efforts'***